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Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

July 23, 2008

SPENCER BACHUS, AL, RANKING MEMBER

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The Honorable Christopher Cox  
Chairman  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Dear Chairman Cox:

The Securities and Exchange Commission's recently announced initiatives to prevent the intentional spreading of false information intended to manipulate securities prices – including its July 15th emergency order to curb “naked” short selling in the securities of primary dealers, Fannie Mae, and Freddie Mac – were welcome developments.

These actions clearly demonstrate that the SEC is fulfilling its mission to protect investors, promote fair and orderly markets and promote capital formation. The U.S. capital markets enjoy the confidence of all investors both here and abroad because of their transparency, accountability and the reliability of publicly available information on securities.

Short selling is a legitimate activity that can and does contribute to efficient capital markets. Market manipulation and the intentional dissemination of material misinformation, however, compromise market integrity and have no place among legitimate short selling investment strategies. Markets function best when they are transparent and investors win when they receive accurate information.

Since the release of the Commission's emergency order, it has been brought to my attention that securities of many financial institutions, particularly regional banks and broker-dealers that often have a close connection to the communities in which they operate, were not included in the emergency order and continue to experience increased short selling. I would also note that Joseph Borg, Director of the Alabama Securities Commission and Past President of the North American Securities Administrators Association, is closely monitoring the SEC's efforts to curb “naked short selling”.

On July 29, 2008 when the current order expires, I urge the SEC to extend the emergency order for an additional 30 days, and to consider expanding it to include financial institutions with a market capitalization at least \$750 million or financial institutions that have at least 5% short interest outstanding.

Thank you again for your efforts to promote the continued health and vibrancy of our capital markets.

Sincerely,



SPENCER BACHUS  
Ranking Member